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SUBJECT: ARGENTINE CHIEF CABINET MINISTER MEETS CODEL MEEKS

REF: BUENOS AIRES 1680

¶1. (SBU) Summary and introduction: Argentine Cabinet Chief Minister Sergio Massa received in his office at Casa Rosada presidential palace Rep. Gregory Meeks (D-NY), Rep. Ruben Hinojosa (D-TX), and Rep. Paul Ryan (R-WI) December 17. The codel conveyed a strong U.S. desire for dialogue and strengthening bilateral relations. Massa agreed with the codel on the need for international cooperation in addressing the global financial crisis, and he said the GOA had great expectations for the incoming administration of President-elect Obama. Rep. Meeks concluded the meeting with an appeal for the GOA to reach a satisfactory settlement with Met Life and New York Life to compensate them for the business they lost when the GOA confiscated private pension (AFJP) accounts. The Ambassador, DCM and polcouns (notetaker) accompanied the codel. End summary.

¶2. (SBU) After the Ambassador introduced the codel, Massa apologized for his delay in starting the meeting, noting that with President Cristina Fernandez de Kirchner (CFK) out of the country, he had to deal with a lot of pressing issues. Rep. Meeks invited Massa to go with him to the codel's following event, lunch with the AmCham. Massa said he enjoys good relations with AmCham president Juan Bruchou but would have to stay in the office. Meeks said the lunch invitation remained pending, in Buenos Aires or Washington.

#### Global Financial Crisis

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¶3. (SBU) Massa requested codel's views on the global financial crisis. Meeks noted the dimensions of the crisis and the tough challenges it presented. He said the U.S. Congress was doing everything it could to stem the tide, employing every stopgap measure available, including the \$700 billion rescue package. He expressed his belief that President Bush would use at least \$10 billion of that to help the automobile industry. Meeks pointed out the bipartisan nature of the codel, stressing that leaders of both parties in Washington were looking to work with other countries like Argentina since the impact of the crisis was global. The crisis was a tremendous challenge, but together we could turn it into an opportunity.

¶4. (SBU) Rep. Hinojosa noted congressional desire to help the outgoing and incoming administrations head off growing unemployment when major employers were laying off thousands of workers. He stressed congressional support for extraordinary measures, such as the stimulus package, to get the economy back on track and generate jobs.

#### U.S. Economy the Global Tractor

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¶5. (SBU) Massa said that, from his perspective, it looked like many good initiatives were underway in the United States, which was a relief, because the "U.S. economy is the tractor for the global economy." He criticized the speculative bubbles that preceded the crisis, and he worried that U.S. leaders were bumping up against the false dilemma of having to "choose between Wall Street and Main Street," but then he hastened to add that he considered the rescue

of the financial sector to be essential for the recovery of the "real" economy. He also thought the President-elect and his team were doing a good job of tempering public expectations in advance of the inauguration.

¶16. (SBU) Rep. Ryan noted that among the many tools being deployed to address the crisis, careful attention was being paid to monetary policy, which previously had sought to contain inflation but now needed to target potential deflation. He called "historic" the Federal Reserve's decision the previous day to lower interest rates to near zero. Ultimately, the important thing was to fix the financial system by requiring greater transparency and to keep speculation from spinning out of control. He noted the most optimistic projection for the duration of the present recession was 18 months.

#### A Short Recession?

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¶17. (SBU) Massa disagreed, said he expected the recession to be shorter, explaining his belief that the lightning speed of modern communications (compared to the pace of information in the 1930s) would accelerate the recovery. Rep. Ryan recalled that Federal Reserve Chairman Bernanke was one of the most prominent scholars of the Great Depression in the 1930s, and that two lessons he had drawn from Bernanke's academic work were the negative consequences in this type of crisis of taking liquidity out of the system and of enacting protectionist measures.

¶18. (SBU) Rep. Hinojosa warned against assuming the recession might last only 6-12 months. He acknowledged there were many differences between circumstances on the eve of 2009 and those that existed in the 1930s, starting with the size of the U.S. population and economy. He expressed concern for the credit crunch, noting how difficult it was to get money churning in the economy. Rep. Hinojosa assured Massa the United States would not build a wall of protectionism, and that, convinced that trade could be mutually beneficial, we were looking to trade with others like Argentina. He also spoke, as Chairman of the Subcommittee on Higher Education, of his interest in expanding opportunities for educational exchanges between the two countries.

¶19. (SBU) Rep. Meeks said the United States and Argentina enjoyed good relations, but we could always make them better. "You've been our ally," he said, stressing his appreciation for ongoing bilateral cooperation in areas such as narcotics interdiction and counter-terrorism. He said he hoped there would be greater dialogue because, in recognition of Argentina's leadership role in the region, we wanted to work with the GOA to strengthen the region. President-elect Obama will seek the GOA's opinion and cooperation. He recalled that Senator Hillary Rodham Clinton, the designated Secretary of State, had visited Argentina "and she will be back." Argentina is key to a peaceful, stable, and prosperous region.

¶110. (SBU) In stressing the importance of building parliamentary ties between Argentina and the United States, Rep. Meeks noted, as evidence of U.S. congressional desire for dialogue, the establishment of a caucus of House members focused on OAS member states, an Argentina caucus, and a Dialogue Caucus.

¶111. (SBU) Massa welcomed a change in paradigm for U.S. engagement with the region and the world. He noted there had been some "ups and downs" in the bilateral relationship over the previous four years, but there were great expectations for improving relations with Washington's new incoming administration. He hastened to say this was not a criticism of the current administration but simply the result of President-elect Obama's much-appreciated gesture of calling CFK. The new year would be tough, but CFK was looking forward to seeing President Obama at the Summit of the Americas in Trinidad and Tobago in April. Cultural and educational ties were important, but the GOA considered trade and investment to be key to generating jobs. He added CFK's belief that there should be no double standard on UN obligations; all nations must obey UN resolutions. (Comment: Massa was previewing with the codel a theme that CFK would touch upon publicly later in the day. Media quoted CFK making a similar point, claiming the UK had been ignoring UN calls for Argentina and the UK to negotiate on the Malvinas/Falklands.)

U.S. interests in nationalization of private pensions  
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¶12. (SBU) Rep. Meeks said he hoped the GOA would be able to work out satisfactory compensation to MetLife and New York Life for the business they lost when the GOA nationalized the country's private pension funds (reftel). He said it was important to address the issue in a manner that would send a positive message to investors, who were always looking to invest where the rules are clear and contracts are enforced. Rep. Meeks said U.S. legislators were "lying low for now," hoping an amicable settlement could be reached without congressional intervention. Massa said the nationalization of the private pension system had been poorly explained in the press. He remarked on the problems of providing pension coverage in a labor market where 40% of workers were "informal," or off the books, and unemployment was as high as 25% only a few years ago. He noted that the private pension funds' commissions were as high as 30% of contributions, yet the conventional wisdom was that the state remained the ultimate guarantor for workers at retirement. With the incorporation of the private pension systems' assets into the public retirement system, "we now all have defined retirement benefits plus the possibility of a complementary 401(k)-type system."

¶13. (U) The codel did not have the opportunity to clear this report.

WAYNE